



Subject: GENERAL STATEMENT

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1-00-00 PURPOSE

This chapter restates in summary from the principles, standards, and related requirements for establishing and maintaining accounting systems as prescribed by the Comptroller General. In subsequent chapters, these prescripts are presented in detail with supplements which give them specific meaning within this Department. Since all of the Department's accounting systems are subject to approval by the Comptroller General and such approval cannot be obtained unless each system conforms in all material respects to these prescribed principles, standards, and related requirements, no deviation will be permitted unless they are cleared in advance with the General Accounting Office. Internal clearance procedures, which must be followed prior to formal submission of an accounting system or request for deviation to the Comptroller General for approval are also part of this chapter.

1-00-10 SUBMISSION OF SYSTEMS FOR APPROVAL

There are two basic conditions which must be met before an accounting system can be submitted to the Comptroller General for approval.

- A. The agency's manual of instructions for use of its employees in maintaining the accounting system and a summary description of the system which includes the basic principle employed in the system must be complete (the summary description does not have to be part of the operating instructions manual), and
- B. The accounting system must be adequately tested or in regular use to the extent necessary to demonstrate its effectiveness.

After the system has been properly documented, a copy of the manual and a summary description of the system shall be submitted to the Office of the Comptroller, HEW, for review. All other supporting documentation called for in subsection 29.4 of Title 2 of the GAO Manual, except for the formal request for approval of the Comptroller General shall accompany the manual. This review will be expedited if completed parts of the manual are submitted as work progresses.

Also, final review and approval of the system by the Comptroller General will be expedited if deviations from the prescripts of the Comptroller General or the Department are presented for advance discussion. Any principles, standards, or related requirements in the proposed system which still appear to be in material disagreement with those of the Comptroller General after consideration and decision by the Office of Comptroller will be discussed with representatives of the General Accounting Office.

Upon completion of the review by the Office of Comptroller and satisfactory resolution of any problem areas, a formal request for approval of the system will be prepared to the Comptroller General for the Secretary's signature. A recommendation to the Secretary will attest that the accounting system conforms in all material respects with the prescribed principles, standards, and related requirements of the Comptroller General.

Requests for approval of deviations from the prescripts of the Comptroller General also shall be cleared with the Office of Comptroller before formal submission to the Comptroller General.

1-00-20 APPLICABILITY

The principles, standards, and related requirements prescribed in this manual apply to each operating agency and office of the Department.

1-00-30 OBJECTIVES

Managers at every level in the Department have an inherent responsibility for effective and economical management of the operations and resources entrusted to them. Top level managers have the added responsibility of decision making in terms of entire programs and program activities. A well designed and operating accounting system which regularly furnishes management with current meaningful financial data by assigned areas of responsibility and program elements can be of valuable assistance in fulfilling these responsibilities. Therefore, one of the primary tests of the effectiveness of any accounting system in the Department will be its ability to produce financial data which managers at appropriate levels of internal management can readily grasp and use. In addition to internal needs, the system must produce all needed financial information for the control agencies and Congress and provide an effective control over all funds and other resources for which the agency is responsible.

1-00-40 BASIC PRINCIPLES AND STANDARDS

Basic principles and standards which must be followed in the design and maintenance of accounting systems within the Department are covered in detail in applicable chapters of this manual. In summary form, they are:

1. Each system shall be maintained on a current accrual basis or if conversion techniques are found to be advantageous, such conversions shall be made not less frequently than monthly.
2. Monetary property accounting shall be an integral part of each accounting system.
3. Depreciation of capitalized property shall be charged to the expense accounts not less frequently than monthly.
4. Accrued annual leave shall be recorded in the accounts at the close of each fiscal year and be reflected in the financial reports.
5. Appropriation and allotment controls shall be maintained at the highest level of organization which permits effective control of funds.
6. Consistent and coordinated classifications shall be used so that, to the fullest extent possible, accounting data can be used in various arrangements for internal management purposes, budgeting, programming, planning, Department-wide reports, and external reports.
7. For those budget classifications and program planning elements where needed cost data does not flow naturally from the accounts, scientific statistical sampling and other cost finding techniques shall be used to distribute actual cost data from related accounts.
8. Each system shall regularly produce effective cost reports for internal management and support of budget requests.
9. Each System shall have built into it adequate controls to insure the accuracy of the accounts and the data produced from the accounts.
10. Accounting functions shall be assigned so as to preclude the manipulation of records to cover irregularities.
11. Cross checks and balances shall be provided in each system to control against the loss or misuse of cash receipts and collections. All cash collections upon receipt should be placed under accounting control immediately and deposited intact daily, insofar as possible, with an authorized depository in accordance with the Treasury Department, the General Accounting Office, and HHS procedures. (Exception - bid deposits, which will be returned uncashed to the unsuccessful bidders - Par. 12-2, Title 7 GAO Policy and Procedures Manual).
12. Internal reviews and audits shall be performed regularly to appraise the effectiveness of the accounting system.